

Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2399 – Wind & Alternative Energy Credit Expansion (LSB 5725 SZ)

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Fiscal Note Version - New

Description

Senate File 2399 doubles the production capacity (from 100 megawatts to 200 megawatts) available for small wind and alternative electrical generation approved in SF 390 (Wind and Alternative Energy Act of 2005). Specifically, the additional capacity added is 90 megawatts of wind energy and 10 megawatts of other alternative capacity. The additional capacity is allowed the same 1.5 cents per kilowatt-hour income tax credit for energy produced that is available under SF 390. The Bill also extends a deadline for projects already approved under SF 390 and codifies a waiting list of proposed projects. In addition, the Bill allows tax credits for refuse-based projects related to the production of heat for commercial purposes and sets limits on the maximum credits allowed in total and to any single refuse-based project.

The Bill is effective July 1, 2006.

Assumptions

1. Each megawatt or nameplate capacity could generate \$131,500 in tax credits if operating at full capacity for an entire year.
2. The facilities will not operate at full capacity. Wind production facilities will operate at 36.5% of maximum capacity, and other energy sources will operate at 90.0% of capacity over the life of the tax credit program.
3. All 100 megawatts of additional capacity authorized by the Bill will be constructed and operational by FY 2009 (three years).
4. Tax credits earned in one fiscal year will be redeemed over three fiscal years.
5. The tax credits available to refuse-based facilities will total \$750,000 and will be redeemed in FY 2008 through FY 2014.
6. The tax credits will be redeemed through a combination of personal income tax, corporate income tax, and state sales tax reductions.
7. The portion of the credit redemption impacting personal income tax will be less than 25.0%.

Fiscal Impact

The energy production tax credits authorized in SF 2399 will reduce net General Fund revenue by the following estimated amounts:

<u>Fiscal Year</u>	<u>General Fund Impact</u>
FY 2007	\$ 0.0 million
FY 2008	\$ - 2.9 million
FY 2009	\$ - 4.5 million
FY 2010	\$ - 5.5 million
FY 2011	\$ - 5.6 million
FY 2012	\$ - 5.6 million
FY 2013	\$ - 5.6 million
FY 2014	\$ - 5.6 million
FY 2015	\$ - 5.5 million
FY 2016	\$ - 5.5 million
FY 2017	\$ - 5.2 million
FY 2018	\$ - 3.1 million
FY 2019	\$ - 1.0 million
FY 2020	\$ - 0.1 million
Total	<u>\$- 55.7 million</u>

If the portion of the credit redemption impacting personal income tax is less than 25.0%, the impact on any local option income surtax for schools will be less than \$50,000 per year.

Project and credit approval, as well as credit monitoring, will increase administrative costs of the Utilities Division and the Department of Revenue. The Utilities Division has identified \$26,000 in administrative expenses in FY 2007 and \$54,000 in FY 2008 related to the Bill. The Utilities Division is financed by fees paid by utilities.

Sources

Fiscal Note for SF 390 (2005 Session)
Iowa Utilities Division
Legislative Services Agency

/s/ Holly M. Lyons

April 3, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
